

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 625 - SB 892

March 25, 2021

SUMMARY OF BILL: Exempts the following types of real estate transfers from the real estate transfer tax: (1) a transfer where the transferor is a member, stock holder, or partner; the transferee is a limited liability company, a corporation, or a partnership; and the real estate so conveyed served as a capital contribution to the business entity; or (2) a transfer where the transferor is a limited liability company, a corporation, or a partnership; the transferee is an existing member, stock holder, or partner, respectively; and the real estate so conveyed serves as a distribution from the business entity.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$3,567,800/FY21-22 and Subsequent Years

Decrease Local Revenue - \$91,000/FY21-22 and Subsequent Years

Assumptions:

- According to the Department of Revenue (DOR), FY19-20 real estate transfer tax collections were \$200,081,236.
- The collection growth rate is estimated to be 16 percent in FY20-21 and for FY21-22 is estimated to be 5 percent.
- Total real estate transfer tax collections in FY21-22 are estimated to be \$243,698,945 (\$200,081,236 x 1.16 x 1.05). This number is assumed to remain constant into perpetuity.
- Passage of this legislation is estimated to result in a 1.5 percent reduction of total real estate transfer tax collections.
- A recurring decrease in real estate transfer tax collections estimated to be \$3,655,484 (\$243,698,945 x 1.5%).
- Pursuant to Tenn. Code Ann. § 67-4-409(d)(2)(A), county registers are entitled to retain as commission five percent of real estate transfer taxes collected.
- A recurring decrease in state revenue estimated to be \$3,472,710 [\$3,655,484 x (100% - 5%)].
- A recurring decrease in local revenue estimated to be \$182,774 (\$3,655,484 x 5%).
- Pursuant to Tenn. Code Ann. § 67-4-409(d), 52 percent of the 5 percent commission must be remitted to state treasurer and credited to the General Fund, and \$1 may be charged on each tax receipt provided by the county registers.
- The real estate transfer tax is levied at \$0.37 per \$100 of the property being transferred.

- With an estimated average home price of \$300,000 across Tennessee, it is estimated that there would be a recurring decrease in local revenue of \$3,293 ($\$3,655,484 / \$0.37 \times \$100 / \$300,000 \times \1)
- A recurring decrease in state revenue remitted to the General Fund of \$95,042 ($\$182,774 \times 52\%$).
- The total recurring decrease in state revenue is estimated to be \$3,567,752 ($\$3,472,710 + \$95,042$).
- The total recurring decrease in local revenue is estimated to be \$91,025 ($\$182,774 + \$3,293 - \$95,042$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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